



HOHN ENGINEERING, PLLC

2708 1st Avenue North, Suite 200

Billings, MT 59101

406-655-3381 Fax 406-655-3383 Email: hohneng@hohneng.com

SENATE TAXATION

EXHIBIT NO.

DATE 2.12.09

BILL NO. SB 258

Montana Senate Taxation Committee

Re: SB 258 - Comments from a small Montana service business owner

Dear Senator,

I am writing to voice my opposition to SB 258.

I am a consulting Professional Petroleum Engineer from Billings. I was raised and educated in Montana. In 1974, I left the State because there were no opportunities for work here. In 1984, while living in Oklahoma, I began my independent consulting business, Hohn Engineering, relocating it to Montana in 1987. For 15 years, I struggled as a one man shop through some extremely difficult times for the oil and gas industry. In the late 90's, after the oil and gas tax revisions, my business began to grow. Since 1999, we have grown from a one man shop to a thriving small business employing 10 people. Most of our positions are professional and all are well paid. Our annual payroll for employees and contractors approaches \$1 Million per year.

Hohn Engineering provides engineering design, planning and project management services to the oil and gas exploration and development industry. It was not coincidence that my business growth began shortly after Montana revised its oil and gas tax policy in the late 90's. Montana finally became competitive with neighboring states and provided incentives for companies to invest here. Most of our clients are smaller independent companies who do not have operations in the state or even the region. They must consider many factors beyond favorable geology or reserve potential in making their investment decisions, such as the business, environmental and tax policies of the host state. Montana was finally becoming a viable investment option for many of these smaller companies. These are the types of companies we need here. It is vital we preserve the strides we have made in the last ten years.

If Montana chooses to roll back these measures, we will give up our competitive edge. Viable investment opportunities will dry up in the state and present themselves elsewhere in more accommodating places. North Dakota's Bakken play, similar to Montana's Richland County play, is just one example.

A stable business and tax environment is every bit as important as the terms of the tax policy. Constant legislative tinkering with tax policy and even the mere discussion of increasing taxes raises concerns and helps to drive investment capital elsewhere.

SB 258 represents a tax policy that discourages risk taking, penalizes success, and ultimately will force investment capital out of Montana. In doing so, it will very likely put small operations like mine out of business.

Please vote against this bill, it is bad tax policy and it is bad for Montana businesses. Thank you for your time.

Sincerely,

Thomas K. Hohn, PE